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NEW JERSEY DEPARTMENT OF THE TREASURY

ATLANTIC COUNTY UTILITIES AUTHORITY

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INTRODUCTION

On May 1, 1997, the United States Court of Appeals for the Third Circuit affirmed a District Court Ruling that a principal element of the State of New Jersey's waste flow control regulations, specifically N.J.A.C. 7:26-6.5, is unconstitutional as it discriminates against out-of-state operators of waste disposal facilities. The Third Circuit also eliminated the two year transition period, necessitating that each county must now reevaluate its solid waste strategy in light of the new timeline directed by the Court. On November 10, 1997, the United States Supreme Court denied the State's petition for certiorari such that the Third Circuit's decision is final. In order to provide an orderly transition to waste disposal options, each of the State's 21 counties and the Hackensack Meadowlands Development Commission needs to develop and implement plans that address their own specific long-term solid waste disposal needs.

The federal court decisions have had an immediate pricing impact on disposal rates in the region. Public and private landfills, along with the five Resource Recovery Facilities (RRF) in the State, have seen a drop in the solid waste tipping fees assessed, in an attempt to become market competitive and sustain their current share of the solid waste disposal market. This reduction in the tipping fee is having an impact in the various counties on the ability to continue to provide environmentally sound solid waste disposal services at the lowest possible cost. Long term planning for solid waste disposal services is vital to satisfy the dual obligations to dispose of solid waste in an environmentally responsible manner and to minimize solid waste disposal costs. The economic impact may require some of the various counties to unbundle the rates for solid waste disposal through the assessment of an Environmental Investment Charge (EIC) for the full and timely recovery of debt service costs incurred to finance the establishment of the various county systems in accordance with State law and the policies of the Department of Environmental Protection. The overall costs to provide solid waste disposal will be reduced and the tipping fees to be charged for use of the facilities will be competitive in the marketplace.

It is obvious that the regional market will undergo significant transformation as the deregulation of waste flow continues. It is also obvious that tipping fees must be established to become market competitive, and that special revenue sources will be required until the county or county authorities can implement the necessary plans to become market competitive in the long term while meeting their operations and debt service requirements. A major focus of the first Local Government Budget Review Program utility report (The Union County Utilities Authority) was the opportunity to identify new sources of revenue as well as cost reductions. The focus of these Partnership Agreement Program utility reviews is short term viability, the ability to meet debt obligations in a deregulated market, and the ability of the county or county authority to implement long term operational plans. The efforts to reduce the cost of solid waste disposal have focused on the renegotiation of existing agreements and the possible retirement and/or restructuring of outstanding obligations. Obviously, the county or county authority must maintain competitive tipping fees and maximize all other income potential to mitigate unanticipated market changes.

OPPORTUNITIES FOR CHANGE

Solid Waste Partnership Program The Report of the Atlantic County Utilities Authority (ACUA) Budget Review Team

There is no doubt the cost of operating a Solid Waste Disposal System - and the rates that support it - have been steadily rising over the last decade. Now, with the legal challenges to the control of waste disposal, a special review program has been initiated to deal with the outstanding debt issued to finance solid waste systems in accordance with the Solid Waste Management Act and the Solid Waste Utility Control Act. As part of the Solid Waste Partnership Agreement Program, there is state budget language to “subsidize county or county authority debt service payments for environmental investments incurred as of June 30, 1997...in accordance with criteria and program guidelines established by the Commissioners of DEP, DCA and the State Treasurer... Expenditure of such funds are conditioned upon the State Treasurer having conducted or contracted for an operational audit of such county or county authority, and such county or county authority having implemented the audit recommendations to the satisfaction of the State Treasurer.”

This review recommends steps to be taken over the short term, but long term implications will be considered in ongoing discussions with all entities involved in final determination of the Solid Waste Partnership Program conditions.

This review and report was completed in response to the Atlantic County Utilities Authority (ACUA) choosing to participate in this special review program. This is the first step in the process of the State assisting Authorities in the era of deregulation of solid waste. The ACUA will now need to evaluate its options based on these findings and recommendations and fully participate in ongoing discussions with its professional staff, consultants, facility operator, the County and the State in order to develop a final partnership agreement. If aspects of the alternatives provided need to be changed, they will become part of the dialogue between the entities involved. This Partnership Agreement Contract will ultimately be between the Department of Treasury, the Department of Community Affairs (DCA), and the Department of Environmental Protection (DEP), the County of Atlantic and the County Authority designated as the implementing agency for solid waste in Atlantic County.

To summarize the report, the State recommends forgiveness of \$6.75 million in zero interest state loans as the State’s contribution to Atlantic County. Through implementation of the recommendations highlighted in this report, it is estimated that the initial \$120.42/ton tipping fee can be effectively reduced to \$45.79/ton in 1999.

BACKGROUND

The Atlantic County Utilities Authority (ACUA) was created by the Atlantic County Board of Freeholders in 1969 to implement and oversee a comprehensive wastewater management program for the County. The ACUA Regional Wastewater Treatment Facility, a 40 million gallon per day secondary level treatment facility located in Atlantic City, began operation in 1978. The New Jersey State Legislature adopted the Solid Waste Management Act (N.J.S.A. 13:1E-1, et seq) in 1975, giving each County's Board of Chosen Freeholders the responsibility for developing and implementing a comprehensive solid waste management strategy. In 1980, the County adopted a Solid Waste Management Plan, and subsequently designated the ACUA as the implementing agency for the Atlantic County Solid Waste Management Plan on June 10, 1981. This report deals specifically with the solid waste disposal operations in accordance with the request of the ACUA to participate in the Solid Waste Partnership Program.

Atlantic County has a population of 242,928 with a projected growth of 1.6% annually, according to statistics provided by the State of New Jersey, Department of Labor. Major hotel and casino expansion, spurred by the completion of the \$268 million dollar Atlantic City Convention Center, the \$17 million dollar expansion of the Atlantic City International Airport, and the \$330 million dollar Atlantic City Tunnel Project, has ensured a growing waste stream.

During the 1970's, a total of 46 landfills existed in Atlantic County, the majority were essentially unlined dumps. Pineland regulations required that all landfilling operations in the Pineland area were to end by August 8, 1990. This meant that any new solid waste facilities had to be located east of the Garden State Parkway. At that time, the vast bulk of Atlantic County's waste was being disposed of within Atlantic County at the Pinelands Park Landfill in Egg Harbor Township. Subsequent to the August 8, 1990 deadline, only one unlined landfill in Galloway Township was allowed to remain open. This facility was not environmentally sound, nor did it have the capacity to serve as the County's long term disposal solution. Subsequently, this landfill was closed. It was this history that led to the transfer station and limited use landfill at the Haneman Environmental Park located in Egg Harbor Township.

The ACUA solid waste disposal facilities are located on the 360 acre Howard F. Haneman Environmental Park. These facilities include a transfer station, scalehouse, recycling center, maintenance center, composting site, landfill, administrative offices and a greenhouse. Approximately 600 tons per day are currently processed at the transfer station, 82,000 cubic yards of yard waste are processed annually at the composting facility, and 45,000 tons of recyclable materials are handled annually at the recycling center. The County generates approximately 220,000 tons annually of municipal solid waste. The landfill capacity stands at 4,803,791 tons, with an estimated life to the year 2033. Because of the size of the recycling, composting, landfilling and transfer facilities, the Authority can satisfy regional solid waste disposal streams, thus lowering the overall tipping fees to Atlantic County residents participating in the system.

The ACUA has demonstrated a proactive, business like approach to providing solid waste disposal services necessary to Atlantic County while protecting the environment. Their state of the art recycling center is one of the largest in the country, and their recycling products are consistently marketed to obtain the best price available. The team commends the ACUA's ongoing efforts to streamline costs through technological advances and testing the private market. We note the aggressive marketing the ACUA conducts with both private and municipal customers. We also commend the Authority for the budgetary and operational information that they make available to all its customers on a regular basis. This communication allows the Authority to structure valuable partnerships with its customers.

Part of the business strategy of the ACUA is the reduction of its reliance on tipping fees. In 1991, the ACUA start up year, tipping fees provided 97.62% of annual revenues. In 1995, tipping fees accounted for 78.58% of revenues, and in 1997, budget revenue from tipping fees accounted for 69.91%.

The current customer base in Atlantic County is divided among four major areas: Haulers account for 41% of the customer base, public agencies and towns account for 34.9% of the customer base, the Atlantic City casinos account for a significant 19.1% of the customer base and the remaining 5% is made of businesses and over the scale cash customers. The unique situation of having Atlantic City within the county borders provides a tremendous marketing opportunity for the ACUA, and one which the Authority has demonstrated a noteworthy capacity for identifying its stakeholders and marketing its services appropriately. We were shown a "waste assessment and recommendations" audit for one of the Atlantic City casinos with potential savings identified in waste collection and disposal costs of over \$250,000 as a demonstration of the services the ACUA provides to its casino and business customers in order to attract and maintain its customer base in a competitive atmosphere.

The ACUA has also taken steps to reduce its operating costs to private sector levels through competitive contracting and bidding. The ACUA publicly bid its recycling collections program in 1995, and received a low bid of \$2.9 million. In comparison, the ACUA provided this program in 1997 with a cost net of collection revenues of \$2.8 million. The ACUA brought the transfer station program in-house after the Waste Management Inc. contract expired in 1992. The cost in 1992 was \$14.50/ton or \$2.97 million annually. In comparison, the 1997 ACUA program cost \$1.65 million, for a savings of \$1,320,000. The composting program was contracted out in 1994 - 1995 at a cost of \$19.96/ton, or \$342,314 annually. The ACUA brought this program in house at a 1997 cost of \$237,314.

The review team commends the ACUA on acquiring competitive nondiscriminatory bids for its service areas to determine best price for best service. We recommend that the ACUA continue to look at ways to provide services at the best possible price for its customers.

TIP FEE ANALYSIS

As in previous Solid Waste Partnership reviews, we use benchmarks to determine progress toward the stated goal of reducing the tipping fee to a competitive level. For the Atlantic

County Utilities Authority, the benchmark is that for every \$275,695 in cost reductions, cost reallocations, and new revenues achieved, the tipping fee can be reduced by approximately \$1. To achieve a reduction from the initial rate of \$120.42/ton to \$52.50/ton, a difference of \$67.50, or changes yielding a \$18,609,413 net difference in the annual budget would have to be found.

Based upon information provided by Authority officials, and data provided by state departments, we are presenting a tipping fee analysis which incorporates our review recommendations, actual tonnage numbers, and a restructuring of debt to include a \$7 million new money portion for expansion of landfill capacity, which result in a market competitive system tipping fee of \$52.20/ton. **Our analysis assumes the forgiveness of zero interest State loans to the ACUA in the amount of approximately \$6.75 million. Our analysis also suggests the possible reduction or elimination of an environmental investment charge to cover the Authority's annual debt service payments, should all report recommendations be enacted.**

This analysis provides a starting point for ongoing discussions between the ACUA, its professional staff, consultants, the County and the State in order to develop a final partnership agreement.

The tipping fee analysis does not reflect recycling expenses and revenues, as the tipping fee should support solid waste disposal services only. The ACUA has already taken the action of unbundling recycling services from its present tip fee. When recycling direct and indirect costs are analyzed, totaling \$6.9 million, and compared to anticipated revenues of approximately \$4.8 million, it is apparent that the recycling operation is not self sufficient. There are options available to the Authority to either increase its recycling revenue stream, or mitigate indirect expenses charged to the recycling program, such as vehicle maintenance, in order to achieve self sufficiency. These options include:

- enhance revenue through fee adjustments to cover costs of operation
- acquire nondiscriminatory competitive bids for vehicle maintenance and/or collection services to lower expenses
- enhance revenue through contract acquisition with other municipal entities and/or commercial entities, i.e. Atlantic City casinos

Deregulation of solid waste has forced the ACUA to take immediate action to lower tipping fees to a competitive rate in an effort to maintain its market share. The initial tipping fee of \$120.42 was lowered by unbundling recycling services, the reduction in disposal and hauling costs in excess of the 300 tons/day it is disposing in its own landfill through use of "spot" market prices (the Authority was paying \$59/ton for disposal and \$14/ton for transportation), and the approval of an environmental investment charge which removed the debt service component of the tip fee. These actions reduced the tip fee to its current market competitive level of \$52.50 at the time of our review. The chart below demonstrates the reduction of the tip fee.

Initial Tip Fee	\$120.42
Authority Reductions:	
Debt Service (EIC)	(31.12)
Unbundle Recycling	(10.00)
Reduce Disposal & Hauling Costs	(26.80)
Current Tip Fee for Municipal Solid Waste	\$52.50

ENVIRONMENTAL INVESTMENT CHARGE

The Local Finance Board approved on January 14, 1998, the implementation of an Environmental Investment Charge to cover debt service at the rate of \$31.12 per ton, or \$5.76 per cubic yard (for customers who wish to dispose of bulky waste, construction and demolition debris, and asbestos at out-of-county facilities). This charge enables the Authority to make its \$8,384,755 in 1998 debt service payments. The following chart delineates each county solid waste revenue source and their proportionate share.

ENVIRONMENTAL INVESTMENT CHARGE SUMMARY

Landfill - Bulky Waste	\$583,843
Landfill - Construction & Demolition	\$1,560,419
Municipalities	\$2,590,194
Casinos	\$1,773,840
In County Weigh In	\$196,720
Business/Residential (Individual Billings)	\$1,500,000
Out of County Weigh In	\$189,739
TOTAL	\$8,384,755

The Atlantic County Board of Chosen Freeholders approved by ordinance the amended District Solid Waste Management Plan, allowing implementation of the Environmental Investment Charge, on Tuesday, March 10, 1998. The EIC is assessed and collected by direct assessment through the mail to local units using its solid waste system for residential waste, using 1995 tonnage data as the base. Galloway, Mullica and Port Republic residents, (who privately contract for trash collection and disposal), businesses and industrial generators will receive direct billing based upon type and amount of waste generated. The Authority has hired Gannett Fleming to prepare the generation rates for these land uses. The EIC for bulky waste, construction and demolition debris and asbestos will be collected at the scale. The ACUA will require scalehouse customers to pay the EIC prior to disposing of these three waste types at the ACUA landfill or at out-of-county facilities. The Authority is providing

this service in-house to municipalities and casinos, and contracting out the portion consisting of individual households and private businesses. The municipal portion of the environmental investment charge of \$31.12 is estimated to yield \$2,590,194, at 1995 tonnage of approximately 83,232 tons. The remainder of the debt service will be funded through the business and industrial generators in Atlantic County, as indicated in the chart above.

We recommend that the authority ensure that future EIC adjustments are at a level sufficient to pay off those stranded investments that cannot be built into their competitive tip fee.

SOLID WASTE DISPOSAL RATES

The ACUA is also charging the following solid waste disposal rates (“gate rates”) which reflect the full charge that is payable to the ACUA:

Municipal Solid Waste	Tipping Fee	\$46.58/ton
	<u>Host Community Benefit</u>	<u>5.92/ton</u>
	Type 10 Gate Rate	\$52.50/ton
Industrial Waste	Tipping Fee	\$43.93/ton
	Host Community Benefit	5.92/ton
	<u>State Tax</u>	<u>2.65/ton</u>
	Type 27 Gate Rate	\$52.50/ton
Bulky Waste (Type 13)	Municipally Generated	\$52.50/ton
	Non-municipally Generated	\$83.62/ton (includes EIC)
Construction & Demolition		\$61.12/ton (includes EIC)
Asbestos		\$112.12/ton (EIC)

LANDFILL OPERATIONS LANDFILL CLOSURE PLAN

The Authority’s limited use landfill was permitted by NJDEP to receive type 13 (bulky) waste and type 27 (dry industrial) waste. The Authority was receiving these wastes from Atlantic, Somerset, Hunterdon and Cape May counties. Cells 1 and 2 are complete and receiving waste. The landfill has a double compost liner system that exceeds the minimum NJDEP standards for the disposal of type 10, type 13 and type 27 waste. Leachate generated in the landfill is pumped to two 50,000 gallon on site storage/equalization tanks, and discharged to the wastewater treatment facility. The total volume of the 12 cells planned for use is 7.8 million cubic yards. According to NJDEP officials, the ACUA submitted a Closure Financial Plan to the department in November 1995, which the NJDEP found acceptable.

The Plan states that at the time of closure in 2034, the total closure and post closure costs are estimated to total \$52.4 million. As of 12/31/97, the NJDEP \$1 per ton account has a balance of approximately \$431,000. Over time, with additional escrow deposits and interest earnings, it is projected that there will be sufficient funds to meet the costs of closure and post closure. Rules governing the NJDEP escrow accounts require that the financial plan be updated every two years. Accordingly, the November 95 plan is due for an update. **We recommend that the ACUA update its Landfill Closure Plan, as required by rules governing the NJDEP landfill closure escrow accounts.** The ACUA and its consultants have estimated that variable operating costs would be \$2.60 per ton in 1992 dollars, and escalated at CPI annually. Landfill operating costs also include cell maintenance and other fixed costs escalated at CPI annually.

As mentioned previously, a key component of the ACUA's financial viability plan is the Landfill Demonstration Project. The ACUA received a Certificate of Authority to Operate - a Research, Development and Demonstration Project under the provisions of N.J.S.A. 13:1E:1 et seq. (Solid Waste Management Act) from the NJDEP dated October 8, 1997, and revised on December 16, 1997. This document permits the ACUA to dispose of up to 300 tons per day, or 1,500 tons per week, of municipal solid waste at the landfill, with the remainder being trucked out of state via the transfer station. The Project permits only night dumping to prevent the accumulation of birds that could endanger the flights taking off and landing at the nearby Atlantic City International Airport. The Airport and the Federal Aviation Administration (FAA) Technical Center lie approximately 12,000 feet northwest of this site. The Atlantic City International Airport is the only airport in the nation operated by the Federal Aviation Administration. The airport doubles as a test bed for the adjacent William J. Hughes Technical Center, the FAA's research site for aviation technology. As of this writing, the FAA is preparing to transfer control of the airport's operation to the South Jersey Transportation Authority, which already owns the passenger terminal there. Authority officials believe that they have, or will meet, all requirements of the Landfill Demonstration Project and anticipate that they will receive approval to landfill all MSW tonnage received through the transfer station. However, if the Project is not renewed at the end of October 1998, and the ACUA does not gain approval to landfill Municipal Solid Waste, the ACUA plans to enter into a new landfill contract at market rates for transportation and disposal.

Since receiving permission from the NJDEP to landfill up to 300/tons per day, or 1,500 tons per week of municipal solid waste, the ACUA has saved the hauling and disposal charges on the amount deposited in its limited use landfill. The savings, based on the numbers mentioned above, exceed \$4 million annually at current market prices.

Our review of ACUA daily tonnage/sales reports reflect that approximately 600-1,000/tons daily of municipal solid waste are received at the transfer station. Of that amount, up to 300/tons are deposited at the landfill, with the remainder going mainly to the Chester incinerator at a disposal and hauling cost of approximately \$50/ton. If the Landfill Demonstration Project supports the depositing of all applicable waste in the landfill, the Authority would see an additional cost reduction in hauling and disposal charges of approximately \$4,000,000, or a reduction of \$14.51 on the tip fee, or a reallocation of those funds to debt service payments. In the event that the Authority does not receive approval for

depositing more than 300/tons daily at the landfill, the team has run a financial scenario that includes the \$3.6 million budgeted by the Authority for hauling and disposal costs in 1998. Including those costs, we estimate that the system tipping fee would be \$33.38/ton with a surplus generated of \$5,270,737 at the imposed tipping fee of \$52.50/ton. The tipping fee in 1999 would rise to \$59.07 as a result of the rise in debt service to a level amount. However, the surplus generated in 1998 would enable the Authority to subsidize its rates over the next five years to remain at a market competitive level.

STARTThe Team recommends that Authority officials investigate the possibility of depositing in the Authority Landfill the additional 300 plus tons daily being received at the transfer station in excess of those tons currently going to the Landfill. Assuming the success of the Landfill Demonstration Project, the additional disposal of all waste generated in the county would save the Authority approximately \$4,000,000, or a reduction of \$14.51 on the tip fee. This action, along with the restructuring of debt service and administrative reductions, could result in an all-inclusive tip fee requirement of under \$50 per ton. The Authority will need to acquire all necessary NJDEP planning approvals and permit modifications, a well as any other requisite air, water and land use approvals prior to depositing the higher daily tonnage at the Landfill.

Municipal solid waste has been hauled and deposited at the GROWS and Tullytown Landfills in Bucks County, Pennsylvania, through a contract between the ACUA and Waste Management dated June 8, 1990. The Waste Management agreement called for the disposal of up to 2,000,000 tons of Atlantic County waste to Waste Management's out of state facilities, the landfill owned and operated by the Authority, or a landfill elsewhere in the State of New Jersey. This agreement was procured through a non-discriminatory process. Toward the expiration of the initial two year term, the Authority solicited separate bids for solid waste transportation. Authority officials evaluated the costs of renewing the operation/transportation contract against projected in-house transfer station operation costs. As a result of that comparison, the ACUA determined that it could operate the transfer station more economically with its own staff, and an outside transportation contractor. However, the Authority is considering having its transfer station operated by a private entity pursuant to an open, competitive selection process for purposes of maintaining flow control in accordance with the Court's decision in Atlantic Coast.

PINELANDS PARK SANITARY LANDFILL (NEWCO)

The Authority has been involved with the Pinelands Park Sanitary Landfill since 1983, when an Administrative Consent Order (ACO) was entered into by NJDEP, the former owners of the landfill, and Atlantic County. The ACO was issued to address substandard environmental conditions at the landfill site. Subsequently, the BPU entered an Order which partly called for the payment to the ACUA of \$1.1 million from the Environmental Escrow Fund in over-recoveries of solid waste disposal fees... The ACUA used those funds to provide rate relief to its solid waste customers.

Now, it appears that there is an overfunding in the Newco Environmental Escrow in the amount of \$200,000, assuming the Newco proposal to implement a Methane Gas to Energy project (as referenced in a letter by the Authority to the NJDEP dated February 3, 1998) is approved by NJDEP and implemented by Newco. The gas to energy project would convert methane gas produced at the landfill site to a new revenue source. The ACUA is requesting receipt of those funds to be used for rate relief for its solid waste customers.

Given the financial difficulty of the Authority, we are in support of this request and recommend that Authority officials request the receipt of these funds well before the September 1 debt service payment is due.

TRANSFER STATION OPERATIONS

The 80,000 square foot transfer station was completed in August 1990 and is permitted to receive 1,950 tons of solid waste per day pursuant to a final Solid Waste Facility Permit issued by NJDEP. The transfer station operates six days per week. The transfer station operates by compressing waste into bales, which are then loaded onto large tractor trailers for economical transportation. The waste is transported from the station to the waste disposal facility designated by the Authority, and the ACUA limited use landfill. The transfer station is also permitted for use as a recycling center to recover certain materials from waste delivered to the facility. At present, the transfer station is operated by the Authority and trash is hauled from it by Miners Fuel Company of Tremont, Pennsylvania under a three year agreement signed June 17, 1993, and is renewable annually thereafter.

The contractual expenses for hauling and disposal through a contract with Waste Management, Inc. cost the Authority \$13.3 million in 1994, \$13.9 million in 1995, and \$14.4 million in 1996. Disposal and hauling to out of state facilities accounts for 38% of the Authority expenses. The transfer station operation is the most expensive to run because of the significant hauling and disposal charges paid by the Authority. The transfer station operation constitutes nearly 60% of the solid waste expenses, with disposal and hauling costs in 1997 totaling \$12 million. These expenses would be significantly reduced if the Landfill Demonstration Project is successful and the Authority disposes of its solid waste in the Limited Use Landfill.

RECYCLING OPERATIONS/CONTRACTS

The 58,000 square foot recycling center, one of the largest recycling facilities in the United States, provides a drop for the Authority collections and private haulers. In 1994, the Authority processed approximately 42,000 tons of recyclable materials (150 tons per shift). The center is also a Materials Recovery Facility where materials collected curbside are separated, sorted and prepared to be sent out. Sorting is done by machine and by hand. The Authority provides for curbside collection twice monthly of source separated recyclables,

including mixed paper, corrugated cardboard, office paper, commingled glass, food and beverage containers, aluminum beverage containers and PET and HDPE plastic containers, etc. to over 112,000 homes within Atlantic County. More than 2,500 businesses participate in the collection program by request, and private haulers who offer recycling services can also bring material to the recycling center. The Authority can impose a surcharge on generators whose waste is delivered to the ACUA transfer station and contains excessive quantities of designated recyclable materials.

As part of the ACUA strategy to reduce the tipping fee to a more competitive level, it has unbundled the costs of the recycling program. To offset the costs of recycling, the Authority estimates \$2 million in revenue from the sale of recyclables, and \$3.5 million in collection contracts. Included in collection contracts are recycling services, trash collection in Buena Vista and Margate, and yard waste and bulky waste contracts with ten municipalities at present. According to ACUA officials, nineteen municipalities have entered into contracts with the ACUA for recycling services.

COMPOSTING FACILITY

The Authority operates a Vegetative Waste Composting Facility in accordance with a NJDEP permit. This five acre site processes approximately 82,000 cubic yards of vegetative material annually. The facility processes leaves, grass, tree branches, brush and Christmas trees into mulch, and backup bulking material to mix with grass clippings to enhance aeration during composting. The Authority markets this finished compost as “EcoSoil”, which can be found for sale at garden centers, nurseries and farm markets across Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester and Ocean Counties. The Authority also produces “EcoChips” which are wood chips made from clean, untreated wood; and “EcoPaint” which is leftover paint collected monthly, shipped for processing to a manufacturer, bucketed and labeled, and distributed to local businesses for sale to the public. The Authority states this is the only program of its kind in the country.

MAINTENANCE CENTER

The maintenance center is a 17,000 square foot facility that includes ten service bays, tire storage, storerooms, offices, locker rooms, lunch rooms and one loading dock in the rear. The center provides maintenance to the Authority’s recycling fleet and landfill operation (dump truck, front end loader and bulldozer). The facility can accommodate all routine and non-routine servicing of the Authority’s vehicles and equipment. The center also includes a fueling station with one 10,000 gallon underground gasoline storage tank, two 10,000 gallon underground diesel storage tanks, a pump for each fuel station, and an automatic card reader.

HOST COMMUNITY FEE - EGG HARBOR TOWNSHIP

N.J.S.A. 13:1E-28 requires that a municipality within which a sanitary landfill facility is located pursuant to an adopted and approved district solid waste management plan shall be entitled to an economic benefit not less than the equivalent of \$1 per ton of solid waste accepted for disposal at the sanitary landfill facility. Similarly, N.J.S.A. 13:1E-28 requires that a municipality within which a transfer station is located pursuant to an adopted and approved district solid waste management plan shall be entitled to an annual economic benefit not less than the equivalent of \$0.50 per ton of all solid waste accepted at the transfer station. As a result of these statutes, the ACUA and the Township of Egg Harbor entered into a Host Community Benefit Agreement. At the time of the agreement, the ACUA was operating the transfer station, and in the beginning stages of opening the landfill.

The agreement commenced on August 9, 1990 and will expire at the close of business at the Environmental Park (Includes all of the solid waste facilities...transfer station, landfill, composting site, etc.). In the agreement, the ACUA agreed to provide the Township of Egg Harbor with a host community benefit for each ton of waste it accepts for disposal at any of its solid waste facilities. In defining the waste that may be accepted at the ACUA, it was stated in the agreement that ash or other residuals of waste originating and processed through a resource recovery or similar facility may not be accepted without having a separate host community agreement in place.

For an initial period of approximately 16 months, the host community benefit was equal to \$5 per ton of waste accepted at the ACUA. For each year thereafter, the amount of the benefit is adjusted upward by the percentage increase of the Consumer Price Index. For the year 1997, the benefit was equal to \$5.96 per ton of waste received by the ACUA, which amounted to \$1,657,809. Of this benefit, \$1 is dedicated to fund the Special Environmental Trust Fund, primarily for the provision of public water supply and public sewer.

For the year ended December 31, 1996, the Township of Egg Harbor received cash payments equaling \$1,589,552 in host benefits from the ACUA, of which \$325,000 was attributed to the Environmental Trust Fund. The total host benefit represented 7.96% of all the revenues collected by the Township.

As stated in other reviews, the ACUA should entertain all options available to it to reduce the Host Community Benefit.

INTERDISTRICT AGREEMENTS

The ACUA has interdistrict agreements with the Mercer County Improvement Authority, Somerset County, Hunterdon County Improvement Authority and the Cape May County Municipal Utilities Authority. None of these agreements are being operated under or

complied with by both parties at this time. These interdistrict agreements provided revenue in the amounts of \$2 million in 1994, \$1.5 million in 1995, and \$1.8 million in 1996.

While settlement of questions regarding interdistrict agreements after Atlantic Coast remain in the courts, there are significant recovery issues concerning the interdistrict agreement between the Mercer County Improvement Authority and the Atlantic County Utilities Authority. The judge in this case construed the interdistrict agreement in light of “uncontrollable circumstance” and not a unilateral termination of the Resource Recovery Project. Thus, the ACUA is obligated to continue its share of the costs of the RRF. Other significant issues remain to be addressed, including how much money was due from either party to the other. It is expected that mediation on the financial issues, and additional hearings will be required, before this matter is resolved.

ACCOUNT BALANCES - SOLID WASTE DIVISION

The Award Criteria as set forth in the Solid Waste Partnership Program includes “the extent to which the local unit with outstanding debt has reasonably exhausted all other available cash resources and management alternatives...” **The review team has examined the account balances existing for the Authority, and recommends the use of the following for payment of debt service, due September 1, 1998, in the event that other opportunities have failed to provide adequate funding of the debt service accounts.**

	As of 12/97	As of 3/97
Revenue Fund	\$1,011,534.30*	\$430,303*
Operating Reserve	\$3,823,687.00	\$2,384,766
Alternative Landfill Escrow	\$205,954.91	\$81,729
Standard Landfill Escrow	\$431,479.99	\$451,992
State Loan Construction	\$2,097.68	\$2,123
1994 Construction	\$25,237.97	\$23,980
1992 Settlement	\$9,237.97	\$9,343
1990 Program Account	\$4,285.06	\$94
Debt Service Fund	\$3,989,967.52	\$865,166**
Debt Service Reserve	\$8,060,835.94	\$8,124,928
Renewal and Replacement	\$102,296.14	\$361,450
R&R (Debt Service Coverage)	\$878,262.99	\$884,680

Total Restricted	\$13,709,656	\$10,805,483
Total Unrestricted	\$ 4,835,221	\$ 2,815,068
	\$18,544,877	\$13,620,551

*Does not include at least \$200,000 anticipated from the over-funded Pinelands Landfill Closure Fund

**Denotes reduction due to interest payment of \$2,972,447 on March 1

The operating reserve is currently under-funded by approximately \$1 million monthly. The Authority anticipates depleting operating reserve even with the EIC and anticipated receipt of \$200,000 from the Newco Landfill.

If at any time in the future additional assets purchased with solid waste debt or any other accounts funded by solid waste debt are identified by the State, including settlement proceeds or court awards, we reserve the right to recommend the use of these proceeds to further reduce the debt obligation of the county or county authority.

1998 AUTHORITY BUDGET

	1997 BUDGET	97 YEAR END	98 BUDGET
OPERATING EXPENSES			
Administration	1,685,480	1,639,555	1,605,649
Solid Waste Administration	1,339,517	1,269,225	1,147,880
Transfer Station	17,310,185	16,191,125	5,466,234
Landfill/Composting	1,566,394	1,570,455	2,954,026
Recycling Center	2,229,131	2,322,283	1,749,592
Collection	3,157,506	3,184,891	3,091,128
Maintenance Center	2,050,530	2,000,814	2,222,179
Cancelled Prior Yr Purchases	0	(115,130)	0
Debt Service	9,352,175	9,164,675	8,746,602
Renewal & Replacement	0	0	0
TOTAL EXPENSES	38,690,918	37,227,892	26,983,289
OPERATING REVENUES			
Interest on Earnings	1,082,245	800,000	525,000
Debt Coverage	802,447	802,447	0
Recycling Revenues	1,954,838	2,137,150	4,669,474
Transfer Station Revenues	223,085	117,214	127,901
Out of County Landfill Fees	1,375,000	2,184,977	0
Landfill Amendment	869,220	514,948	298,000
C&D Waste	2,748,240	3,455,109	0
Tip Fees - Landfill	0	2,209,931	5,511,868
Tip Fees - Transfer Station	27,048,246	25,041,884	8,032,245

Grants, Fees, Miscellaneous	1,642,467	1,742,675	1,318,555
EIC	0	0	6,240,493
Fund Balance	945,131	315,428	0
TOTAL REVENUE	38,690,918	37,227,892	26,723,536
BUDGET LESS REVENUE	0	0	(259,753)

The 1998 Authority budget is preliminary at the time of the draft of this report. Overall, expenses and revenues have offsetting decreases of approximately 30%. There is a 68% reduction in transfer station expenses as a result of the landfill demonstration project, with a corresponding 70% decrease in transfer station revenues. As stated earlier in this report, the Tipping Fee Analysis removes recycling expenses and revenues from the system budget.

LONG TERM DEBT

The solid waste debt remaining as of December 31, 1997 is as follows:

Series 1992 Solid Waste Revenue Bonds	\$84,050,000
1994 Zero Interest State Loan	\$ 6,750,000
TOTAL DEBT	\$90,800,000

Of the total debt, \$6,750,000 is the remaining balance of the 1994 Zero Interest State Loans. This loan, in the total amount of \$7,500,000, was issued pursuant to the Resource Recovery and Solid Waste Disposal Facility Bond Act to finance the costs of construction and equipping of landfill cells, and capital costs of the recycling center, transfer station, solid waste composting facility, and sanitary landfill. Pursuant to Local Finance Notice AUTH 97-4, the ACUA has requested and been approved for a deferral of repayments of this loan for the next five years. Since this review recommends, consistent with prior utility reviews, legislative action to forgive the repayments of the zero interest state loans, the review team focused on the Series 1992 Solid Waste System Revenue Bonds.

We recommend forgiveness of the 1994 zero interest state loan in the amount of \$6,750,000. This forgiveness results in a \$1.36 annual reduction in the tip fee, or \$375,000 annually.

The Authority has outstanding \$84,050,000 of unenhanced (i.e. backed by neither a general obligation agreement nor bond insurance) Solid Waste System Revenue Bonds, Series 1992. The bond covenants require the tipping fee be established at levels which will at least cover operating expenses and 110% of the amount of debt service payable in each year. The 1992 Bonds were issued to permanently finance \$41,145,000 in Solid Waste Bond Anticipation Notes, 1991 Series, and a \$24,305,000 principal amount of Solid Waste Bond Anticipation Notes, 1991 Series A, payment and costs of improvements and expansion of the Authority's System, payment of interest and deposits to the Debt Service Reserve Fund.

In 1994, the Authority submitted a refinancing plan to the Local Finance Board that is essentially identical to the refinancing plan submitted at present. As a result of the Carbone decision, the 1994 financing was suspended and the new money portion was financed through the State Loan in the amount of \$7,500,000 pursuant to the Resource Recovery and Solid Waste Disposal Facility Bond Act, P.L. 1985, c. 330. **It is recommended that the Authority engage in the process of refunding the Series 1992 bonds, either through a state sponsored issuance, or through a formal county guarantee. Once a restructuring analysis is completed for terms, current rates and structure of the proposed refunding bonds, the Authority should immediately adopt the necessary resolutions to invoke the refunding process. The team ran a level debt service scenario which is conservative because it does not utilize Authority reserves. This scenario, which includes \$7,000,000 in new money for the construction of cells 3 and 4 in the Authority Landfill to allow continued landfill capacity, shows a savings of \$5,903,623 in 1998, and \$411,849 in 1999. Total savings to the Authority by restructuring their debt service through 2016 is**

\$13,356,578. It is expected that a state sponsored issue would provide additional annual savings as a result of utilizing the Authority's debt service reserve accounts to buy down debt in the amount of \$8,124,928, the elimination of a debt service reserve requirement by the Authority, and the extension of the Authority's debt amortization by five years. A chart of present and proposed debt service is included in this report, based on the County refunding only.

The new money portion (\$7,000,000) consists of the construction of two additional cells at the landfill to create capacity for the acceptance of up to 300 tons/day of municipal solid waste. This is a result of authorization by NJDEP for the Authority to take part in a national pilot program for disposing of municipal solid waste within close proximity to an airport. There is pending a renewal of the existing permit with NJDEP to construct and operate the landfill with design modification on construction of the landfill.

The current Series 1992 bonds are not secured by any formal county guarantee or other bond protection that would satisfy the bonds should a position of financial difficulty arise. As stated above, a state sponsored issue would be more favorable to the Authority. Responsibility for funding any stranded debt obligations would be borne by either Atlantic County or the State of New Jersey, subject to a final disposition between these entities. County officials have already expressed to the review team their opposition to guaranteeing any refunding of the debt without direct control of the operation. However, without a county guarantee or state sponsored issue, refinancing becomes financially impossible because of the uncertainty in the solid waste market at present. With such county support in place, or utilization of a state sponsored issue, the proposed refunding bond issue could be marketed with a pricing structure that does not impose a burden on the taxpayers and ratepayers of Atlantic County.

We reserve the right to recommend refinancing through the state sponsored issuance, upon passage of State legislation, which would eliminate the Authority's debt service reserve and includes an extension of debt service payments over a period of time deemed appropriate by the State Treasurer.

ADMINISTRATIVE

The Atlantic County Utility Authority operates one of the largest recycling operations in the State of New Jersey by contracting with nearly all of the Atlantic County communities to use a recycling operation maintained at its Egg Harbor Township facility. This operation will affect the staffing and personnel restructuring in a rather unique fashion since Atlantic is pursuing an aggressive policy of re-contracting other waste services with its various communities. This process is currently on-going and will obviously affect future personnel decisions. However, this review will concentrate on current staffing and current A.C.U.A. needs. It will not generally touch on areas outside of solid waste with the exception of administration. Specific segments of the ACUA such as Wastewater, Laboratory, Project Development, Communication, and Wastewater Maintenance were not reviewed. Although administrative costs were split about 55%/45% in favor of Solid Waste, most personnel

decisions in Administration dealt with Solid Waste Operations with some minor tangible affect on the Wastewater side of the operation. Approximately 153 positions associated with the current operation were identified as being directly related to our solid waste operations review. In addition, the Landfill Demonstration Project identified one singular position rather unique to Atlantic County which will only be mentioned here which is the employment of a Naturalist to identify and study potential “bird” infringement on the operation of a nearby federal facility which is designed to study aircraft operation. This demonstration project, which will be mentioned later in this section, could affect operation of the transfer facility currently located at the Egg Harbor Township Environmental Park.

Administration:

For purposes of this review and analysis, the administration of the ACUA will be restricted to the Authority Board, the President, assistants, and a marketing representative.

The President/Executive Director is located at the Atlantic City office currently, although he spends some of his time at the Egg Harbor Township facility. According to payroll records and discussions with the Assistant Authority Secretary, the President/Executive Director’s staff consists of a clerk typist, Assistant to the President, a Board Secretary, and an Assistant Board Secretary. According to discussions held with the Board Secretary, both he and the Assistant Secretary assume professional roles in support of the President/Executive Director by researching various projects, compiling data, reviewing personnel functions of a complex nature, preparing letters and documents, and representing the President/Executive Director on various occasions. The President/Executive Director is currently not supported by a Deputy Director, but the Authority has created two Vice Presidents/Directors to operate divisions in support of the ACUA.

We suggest reducing the support staff to the President/Executive Director by elimination of the clerk typist position at a savings of \$30,567 including benefits. Although the clerk typist may share some functions with the legal department, support staff already located there should be able to pick up the extra amount of work via use of the computer operation. The Assistant to the President position could also be eliminated at a savings of \$53,281. The combined savings at the executive support area could add up to \$83,848.

Personnel:

Discussions held with the Assistant Board Secretary determined that a majority of her time was spent overseeing operations in the human resource area. Additional discussions held with the Human Resource Manager revealed some degree of overlap between these two functions. It became obvious to the team that the duties assigned to both individuals could be absorbed under one position. The newly structured table of organization proposed by the team reflects a Human Resource Director responsible to the President/Executive Director. The duties of the Assistant Board Secretary could be shifted to the Board Secretary. This functional change in the human resource area suggests additional changes could be made here to minimize human resource costs and still serve both the Wastewater and Solid Waste

Divisions successfully. This additional change would remove the purchasing function from personnel and place it under finance. In addition, the position of Risk Benefits Assistant could be eliminated and responsibilities placed entirely with the Risk Benefits Specialist. In many operations this function is handled either clerically by one individual or by the personnel specialist.

We suggest eliminating the position of Human Resource Manager at a cost savings of \$66,502, including benefits. Create the position of Human Resource Director by redesigning the Assistant Board Secretary position. Merge the positions of Benefits Specialist and Assistant into one position for a savings of \$42,063, including benefits. The HRIS Assistant would be retained to handle clerical support for both personnel and the President/Executive Director. Total savings would amount to \$108,565.

Finance

The removal of the purchasing function places additional responsibility under the Chief Finance Officer but also places additional assistance at her disposal. The Purchasing Agent and Assistant would relocate to Finance and maintain closer control of actual purchases. However, additional staff will be offset by the elimination of the Accounts Payable Coordinator and Assistant. It would appear that the Assistant Purchasing Agent could absorb some of these duties but additional operations will be added since later recommendations eliminate the need for the Business Manager and place most of those responsibilities, including specification preparation, in the “purchasing” area. Actual account maintenance, both accounts payable and receivable, could be retained by the Accounting Analyst who already has some account responsibility and the purchasing clerk who was moved over to the finance area. The position of Office Manager could then be restructured within the new duties assigned to the former purchasing clerk. The Office Manager had no supervisory responsibilities and therefore was taking on office functions which could now be accomplished by the newly assigned clerk.

We recommend restructuring the Finance Division to include Purchasing. Transfer the duties performed by the Buyer to the Purchasing Agent or Assistant. The elimination of the Buyer’s position reflects a savings of \$40,180, including benefits. Should the Purchasing Agent function outgrow the needs of the Authority, it is suggested the Authority invoke an inter-local service agreement with the county to meet its needs in this area. The Purchasing Clerk could be moved over to the Finance area which would eliminate the need for an Office Manager for a savings of \$50,821, including benefits. The Accounts Payable Coordinator and Assistant Accounts Payable Coordinator positions could be eliminated by consolidating those functions through the Accounting Analyst position or possibly via the current vendor doing payroll. (Although this option certainly could involve extra cost, it is not the main emphasis here since consolidation is the main goal; wastewater billing should be on computer and previously input to make this function somewhat routine and repetitive.) Eliminating both positions could save an additional \$82,733, including benefits. Additional support could also be undertaken by the purchasing clerk now allocated to the Finance Department. Additional responsibilities for specifications and formatting would also be

undertaken by the Finance department in conjunction with the Purchasing Agent and the various division heads who provide the expertise. Total cost savings within Finance and Purchasing add up to \$173,734.

Marketing Representative

We recommend only an organizational change here in order that the marketing of the entire ACUA be done for the Laboratory as well as Solid Waste functions. **We would recommend that the marketing representative either report directly to the Executive Director or his Executive Assistant.** It might be possible to provide a salary incentive here based on additional contracts or quantities sold. It is also suggested he be brought into the bidding process for additional waste services under de-regulation.

Solid Waste

This section will be addressed in various stages inclusive of Operations, Recycling, and Maintenance. The current vice-president could be re-named Director of Solid Waste and be directly responsible for the Operations Coordinator, the Recycling Director, and the Maintenance Coordinator. For the time being, the Enforcement Officer could also report to the Director until the entire issue of flow control and regulation have been finalized through both rule and litigation as reinstated through the Environmental Investment Charge. The most notable change that we would suggest that would be immediately visible is the elimination of the Business Manager position. Currently this position also reports to the Director/Vice-President. This position currently reviews the purchase of major equipment and the “specs” necessary to bid for such equipment. The responsibilities of this position are similar to those of the Purchasing Agent. This function could be undertaken entirely by the Purchasing Agent as envisioned in that job assignment. Background research on presentations could be done by the Operations Coordinator and the Recycling Director to add emphasis and uncover underlying problems.

The Director of Solid Waste is assisted by an Administrative Assistant who also has some work assigned by the Operations Coordinator. This position, valued at \$52,683 including benefits, could be eliminated in favor of the Senior Secretary currently assigned to Solid Waste. While additional assistants certainly provide a degree of independence for the administrators, the cost is high for the ratepayer. Enhanced skills in computer operation could make this position obsolete. Obviously the remaining secretary would need to be shared by both the Director and the Coordinator, but additional skill training could provide some real assistance during this important transition phase in solid waste management. The Office Manager position is currently in charge of the Egg Harbor Township facility and responsible for at least three secretaries would no longer be necessary under this reorganization since the new structure envisions only two secretaries in the solid waste area. The Senior Secretary could absorb some of those duties and arrange for coverage of the reception area possibly by the personnel clerk or an intern obtained through school participation.

We recommend the elimination of the position of Business Manager at a savings of \$78,756, including benefits. Consolidate specifications within Purchasing and Finance. Until the issue of enforcement is totally litigated, phase out one of the Enforcement Officers at a savings of \$43,024, including benefits. Review the duties assigned to the Administrative Assistant in Solid Waste Operations and place duties under the Senior Secretary with additional skill training. Elimination of the Administrative Assistant position would reduce costs by an additional \$52,683, including benefits. In addition to these savings and clerical reductions, the Office Manager could also be phased out since staffing of the clerical support have been drastically reduced, for a savings of \$53,818, including benefits. The remaining Senior Secretary could absorb these functions. Total savings found in the administrative area of Solid Waste amount to \$228,281.

Operations

The Operations function has been divided into two separate areas under the new proposed table of organization. Those two areas represent the transfer station and the landfill. The Senior Secretary mentioned in the previous paragraph would replace the secretary assigned to the transfer station and be shared by the Director of Solid Waste, the Landfill Supervisor, and the Operations Coordinator. Atlantic County possesses a degree of expertise in computer operation and certainly has sophisticated equipment which must be used to replace traditional clerical support. This initial change should cause little disruption in day to day operations. In addition, it appears the landfill operates with three Scalemasters. While creating a Chief or lead operator, the two scales that are in place leave a substitute operator or an individual that can assist with clerical or support functions who is occasionally needed at the scale site.

The Transfer Manager's current responsibilities would remain unchanged. However the current structure reflects four equipment operators; it is suggested the current Group Leader be phased into a Lead Operator and continue with safety assignments. This reduces the burden somewhat on the Transfer Supervisor. The Transfer Station has four equipment operators and nine laborers. Tonnage figures at the landfill, including the tonnage requirement to out-of-county facilities, is not sufficient to support staffing as evidenced in similar operations. It would appear the facility could operate successfully with four positions and possibly one additional position at the landfill. This reorganization would eliminate four laborers based on current operations. Should the Demonstration Project become fully operational, this situation would most likely need to be reviewed, but the impact would have ramifications at the landfill. No changes were made to the current landfill operation with the exception of the movement of one of the laborers from the transfer station. The transfer of trash at the ACUA has caused the Utility to place two Yard Jockeys at the transfer station to enhance the movement of tractors and facilitate the movement of trailers in order to accommodate the haulers. It is suggested that all laborers obtain their CDL licenses and pursue this activity in place of the Yard Jockeys who now perform this activity. This restructuring could facilitate job sharing and enhance the potential savings. Finally, the transfer station has retained one inspector to retain a degree of control over quality. In the face of de-regulation and the large and efficient operation in recycling, it recommended this function be turned over to the remaining laborers to perform when time permits.

Enforcement activity in this area has drastically slowed, and no information supplied during the interviews shed any differing views on this activity.

We recommend elimination of the position of Secretary assigned to the transfer operation at a savings of \$37,618, including benefit costs. Restructure the Group Leader's position into a Lead Operator with additional duties in the safety area. Reduce the laborers by four positions for a savings of \$132,878, including benefits. With Yard Jockey duties assigned to the laborers, additional savings in these two positions could amount to \$90,646, with benefits. The remaining position which we suggest eliminating is that of the Inspector assigned to the transfer station. This savings amounts to \$45,208, including benefits. The total savings involved with transfer and landfill operations is \$306,350.

Recycling

The Recycling Operations section is an efficient operation and evidences skill by a public agency in performing a business operation with great success. The changes recommended here are mild and reflect some minor changes in structural operation. It may be possible to reflect two warehouse supervisors rather than an Assistant Site Manager and a Group Leader, with each supervisor responsible for his/her own team of twelve recycling operators. The consolidation of these titles to warehouse supervisor would promote job sharing at this level. One of the other changes we suggest elevates the Recycling Director to direct reporting status beneath the Director of Solid Waste. The importance and success of the Atlantic County Recycling program needs to reflect its position within the organization and its importance in the county. This best practice is recognized for its business success, its liaison activities with other government agencies such as the County Jail, its contact and relation to other county communities, its revenue production, and its ability to save taxpayers additional costs. Since the program reflects a high level of success and community involvement, a secretary was retained for the program to be shared by the Director with additional duties in the area of public information and education, as well as communication.

No cuts are envisioned in this area; rather some minor changes in organization were suggested which could only elevate the program's importance.

Recycling/Collections

For purposes of this report, the collection operation will be treated separately, but again presents a well developed operation. The suggestions are organizational only and reflect some minor changes.

It is recommended the Site Manager remain as the Collections Supervisor. We also recommend the Group Leaders/Senior Truck Drivers be increased to four with a possible salary enhancement to reduce the supervisory level coverage to a more manageable level. This would only involve the elevation of existing Truck Drivers and not additional staff. It is also recommended that all positions be required to possess CDL licenses. No substantive changes are suggested here.

Maintenance

It is obvious the maintenance for this facility is somewhat more involved due to the recycling operation. However, it is suggested that the two maintenance areas of vehicle and equipment be combined with buildings and grounds under one Maintenance Coordinator and a Lead Mechanic. This eliminates the need for an additional Lead Mechanic. The team's proposed structure provides for two mechanics and four maintenance positions to be split between mechanical maintenance and custodial functions. The re-structuring phases out one maintenance mechanic and two maintenance persons. This suggested change retains maintenance capabilities but does not provide for year round coverage. Rarely does a facility of this magnitude carry the maintenance organization as presented here; however we believe that preventive types of activity can be preserved with this level of coverage based on information received during the interviews and comparisons made with other facilities. The one remaining change eliminates the Secretary/Receiver formerly attached to vehicle maintenance and places all receiving functions with either purchasing and finance or with the Coordinator or his designee. These areas of coverage suggest areas of shared responsibility either with the Wastewater Division, or the county through inter-local service agreements to avoid additional positions and additional costs. We suggest the Coordinator position also be elevated to direct reporting status to the Solid Waste Director.

We recommend the elimination of two Lead Mechanic positions and suggest operating with a total of one Senior Mechanic and two Mechanics with a total savings of \$48,290, including benefits. Separate one of the Maintenance Mechanics and elevate one of the Maintenance Mechanic positions to Mechanic level to achieve a savings of \$ 47,057, with benefits. Eliminate the two Maintenance Person positions attached to vehicle maintenance as helpers with a savings of \$73,901, including benefits. The custodial staff should be reduced by one position for a savings of \$32,196, including benefits. And finally, the position of Secretary/Receiver is eliminated for a total of \$42,725, including benefits. Thus, the total savings attributed to Maintenance could amount to \$244,169, including benefits.

Seasonal Staffing

The ACUA has annually hired additional staff during the summer months due to its location and resort area status. This report does not address these issues but does suggest that close attention be paid to seasonal hiring under current de-regulation guidelines which could affect the nature of summer operations. As the ACUA aggressively pursues various types of waste collections and also strives to meet competitive market conditions, these traditional scenarios must be re-evaluated following a review of all re-negotiated contracts and competition from independent contractors. Certain landfill operations also will affect this decision as evidenced by increased use of the composting and soil facility, and marketing efforts.

Total Savings in Positions and Salaries

Cost Savings = \$1,144,947

Total Positions Affected = 26

POLICIES & BENEFITS

The ACUA offers its employees a wide range of benefits; only a few of which will be discussed here. The following points are raised as areas which may help the Authority reduce its costs in light of its financial difficulties.

- 1) Longevity payments. Current payments in both Solid Waste and Wastewater add up to \$78,100 per year. Article 27 of the union contract provides for "...longevity payments, which are based upon years of regular service with the Authority." LGBR does not believe that longevity payments add to the value of the employee's services since the only factor involved is years of service. Since employees are separately evaluated annually for merit increases, we suggest the practice of longevity simply increases the percentage of salary adjustment without regard to merit or any other factor, except seniority.

We recommend ending longevity payments for all Authority employees for the possible savings of \$78,100 for both wastewater and solid waste divisions. We estimate a possible savings of \$42,955 based on solid waste payments only. Future contracts negotiated across divisional lines would certainly benefit the entire financial operation if such a practice were to totally cease.

- 2) Currently the A.C.U.A. employs a "Bonus" program designed to create an incentive for employees to report to work on a daily basis and avoid excessive absenteeism. That program was changed in 1995 to reduce costs but continued to offer 2.4% of the base salary to a maximum of \$1,000 annually for perfect attendance, or the absence of worker's compensation claims. For 1997, these bonuses amounted to \$129,437. Indeed, leave time probably was reduced, but the cost to the ratepayer in real dollars seems excessive. The previous program had offered sick and vacation buy-outs, savings bonds, and additional vacation time.

We recommend discontinuing the "Bonus" program for perfect attendance. The savings could total as much as \$129,437 in both divisions, with approximately \$77,190 attributable to solid waste operations. We feel that employees should not be rewarded for failure to abuse a benefit offered by the Authority.

- 3) The ACUA provides a unique sick leave program to enhance attendance during the employee's first four years of employment. This policy permits an employee to bank approximately 240 hours following four years of service, or approximately 30 days of sick leave. Following the achievement of this figure the employee is automatically granted an additional 240 hours, for a total of 480 hours of banked sick time. In reality, this policy very closely approximates the State schedule, but restricts hours gained during the first four years. However, the ACUA combines these incentives with bonuses for non usage which we believe are potentially excessive, and expensive. The ACUA ended the

policy of paying for unused sick time at the time of retirement. The cost for this special program generated over a three year period was approximately \$267,149. From this number, approximately \$146,931 could be attributable to the solid waste division. This program permitted employees to recoup unused sick leave at full pay for all time accumulated over 240 hours. The actual costs combined with incentive payments already mentioned may reflect higher expenses in the post buy-out period. It would appear the Authority has made a careful and calculated attempt to remove sick leave as an employment issue; however, the costs associated with this program certainly could become excessive. Additionally, the county has contracted for long term disability coverage at 60% of salary. Although the costs of this program may be small in the total overall picture, it represents another attempt to maintain salary in the face of sick leave when not associated with employer related disability. The sick leave granted and subsequently capped by the Authority should be viewed as a long term insurance policy for every employee in the event of serious illness or injury.

We suggest a review of the sick leave policy in general, and specifically the monetary incentives. We believe that the sick leave currently granted and capped is sufficient as policy without any additional incentive.

- 4) Salary structures for the ACUA appear to be based on approximately 3% increases in the first years of the on-going contract. This payment alone should probably be tied to the C.P.I.. Additional compensation granted through merit system jumps, longevity, and bonuses suggest real costs to the Authority that significantly exceed the 3% level. We believe that the ACUA should carefully analyze additional compensation in the face of extreme market conditions which will play into the costs presented both to the public and private marketplace.

We recommend tying in the C.P.I. to current salary discussions and reducing additional compensation where not warranted. In the absence of a total review of merit increases and sick leave incentives, cost reductions in salary increases should be pursued. Total savings could probably approach the 2% area in total compensation; the savings for solid waste alone, excluding costs to some of the administrative personnel shared with Wastewater, could amount to \$112,052. In the event the ACUA decides to act on longevity, bonus reductions and control merit incentives, this savings would then become a moot issue.

- 5) A review of vacation allotments reveal certain individuals may be able to obtain as many as 32 vacation days per year. This seems excessive when compared to the state, county and local "standard" of a maximum of 25 days per year. Information obtained through the payroll office indicate that currently 44 employees have sixteen years or more of service suggesting they are eligible for possibly 30 days or more of vacation. This number is inclusive of only two individuals in the solid waste division. Since this figure is small at the present time, we will not pursue a specific cost reduction, but the ACUA certainly faces increased costs in these areas unless vacation time is restrained and renegotiated. Those specific employees eligible for such a benefit were not identified, but costs could be reduced by up to seven days for some ACUA employees.

We suggest that the ACUA review its vacation leave policy and cap the maximum days permitted at 25 per year.

- 6) The ACUA grants bereavement leave to its employees for family losses. This practice essentially could grant an additional three days of leave a year for family related events.

We do not advocate the ending of this kind of benefit, but we believe “bereavement” leave should be consolidated within the current sick leave structure and thus reduce additional compensation for additional time off the job. No cost savings are identified here.

Total Savings Excluding Wastewater = \$232,197

LEGISLATIVE ACTION

The State of New Jersey has provided the issuance of \$50 million for grants and loans for resource recovery facilities and other solid waste facilities pursuant to the Natural Resources Bond Act of 1980. The State of New Jersey also has provided zero interest percent State loans to a number of Authorities and Counties for solid waste projects throughout New Jersey, based on a pooled loan program established pursuant to the Resource Recovery and Solid Waste Disposal Facility Bond Act of 1985 and established level principal repayment schedules for repayment of the loans. Based on the implications that the Carbone and Atlantic Coast Court Cases have had on the method and options for disposal of solid waste in New Jersey, it appears that the balance of funds in the Natural Resources Bond Act of 1980 and the Resource Recovery and Solid Waste Disposal Facility Bond Act of 1985 Program will not be utilized for its original intent. These funds cannot be utilized for any other purpose unless legislation is enacted to allow for same. Further, any existing outstanding loans cannot be forgiven without specific legislative amendments. Based on the impact that the repayment schedules of these State loans will have on the solid waste disposal rates and the tax rate of each homeowner in New Jersey, it is recommended that the legislature review the Bond Act of 1980 and the Bond Act of 1985 and introduce and enact specific language that allows for additional options for use of these funds, namely forgiveness of outstanding loans, based on specific needs, utilization of Bond Act funds for one time grant purposes to reduce outstanding solid waste debt obligations, or the funding of new projects to meet the needs of solid waste disposal not directly associated with a capital facility. This legislative change, although needed by the ACUA, is directed to the legislature for enactment and will continue the process of developing a solution to the overall State’s solid waste disposal financial difficulties.

LOCAL GOVERNMENT BUDGET REVIEW TEAM

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